

Message Text

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ACTION SS-25

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1942

S E C R E T TEHRAN 2585

EXDIS

FOR UNDER SECRETARY CASEY FROM AMBASSADOR

E. O. 11652: GDS

TAGS: ENRG, IR

SUBJ: IETROLEUM: GOI CONS

RIUM NEGOTIATIONS

1. AS I GET FURTHER INTO THE CONSORTIUM'S NEGOTIATIONS
WITH THE
GOI WHICH ARE ABOUT TO BEGIN THEIR NEXT ROUND HERE (KEN
JAMIESON CAME IN TO SEE ME ON APRIL 18 BEFORE
HE CALLED ON SHAH
AND I GAVE HIM FLAVOR OF MATERIAL SET FORTH BELOW), I HAVE BEEN
PARTICULARLY STRUCK BY THE DIFFERENCES IN ATTITUDE AND APPROACH
BETWEEN THE TWO SIDES. SINCE YOU ARE FOLLOWING THESE NEGOTIATIONS

I WANT TO SHARE WITH YOU SEVERAL INTERESTING INSIGHTS INTO HOW

IRANIAN SIDE WORKS WHICH EMERGED FROM LONG CONVERSATION OUR
PETROLEUM OFFICER HAD LAST D"1# WITH IRANIAN OBSERVER IN
RECENT TALKS WITH CONSORTIUM.

2. ACCORDING TO THIS SOURCE DR. REZA FALLAH CONVENED IRANIAN
TEAM IN LONDON ALMOST IMMEDIATELY FOLLOWING SIGNATURE OF MEMO-
RANDUM OF UNDERSTANDING IN ST. MORITZ. BY WAY OF BRIEFING,

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HE SIMPLY GAVE THEM MEMORANDUM OF UNDERSTANDING AND SAID THAT MEMO-RANDUM MEANT THAT IRAN HAD A SALES PURCHASE CONTRACT ARRANGEMENT WITH CONSORTIUM AND THAT TWO SIDES WERE NOW TO WORK OUT DETAILS OF THIS ARRANGEMENT. IRANIAN TEAM WAS NOT GIVEN ANY INFORMATION ABOUT MEETING IN ST. MORTIZ, NOR WAS IT INFORMED THAT MEMORANDUM OF UNDERSTANDING WAS ANYTHING OTHER THAN CONFIRMATION BY CONSORTIUM THAT IT WAS PREPARED TO ACCEPT SALES PURCHASE ARRANGEMENT. THUS, WHEN CONSORTIUM TEAM MADE IT CLEAR THAT IT EXPECTED THAT MUCH OF 1954 AGREEMENT WOULD BE CARRIED FORWARD INTO NEW ARRANGEMENT, IRANIAN SIDE CONSIDERED THAT CONSORTIUM WAS ACTING IN BAD FAITH AND ATTEMPTING TO REVERSE DECISIONS AT ST. MORITZ.

3. THERE HAVE BEEN SHARP DIVISIONS AMONG MEMBERS OF IRANIAN TEAM, AND BETWEEN ALL OF MEMBERS OF TEAM AND DR. FALLAH. MEMBERS OF TEAM THOUGHT THAT FALLAH WAS KEEPING BACK INFORMATION ABOUT EVENTS AT ST. MORITZ FOR HIS OWN PURPOSES, AND AS A WAY OF MANIPULATING THEM AND PREVENTING THEM FROM GETTING CREDIT FOR REACHING AGREEMENT ON IMPORTANT POINTS IN NEGOTIATIONS. MANY OF MEMBERS OF TEAM RESENTED WHAT THEY CONSIDERED TO BE FALLAH'S EXCESSIVE INTIMACY WITH CONSORTIUM, AND THEY SUSPECTED THAT FALLAH WAS IN FACT CONDUCTING ANOTHER SET OF NEGOTIATIONS ON THE SIDE FOR WHICH THEIR NEGOTIATIONS WERE SIMPLY A FACADE. STILL

OTHER MEMBERS OF IRANIAN TEAM EXPRESSED THEIR DISLIKE FOR DR. FALLAH THROUGH A FEELING THAT HE HAD PREVAILED UPON SHAH TO GIVE AWAY TOO MUCH AT ST. MORTIZ, AND THEY DETERMINED TO PROLONG THE NEGOTIATIONS IN HOPES THAT THIS WOULD PUT PRESSURE ON THE GENERAL PARTICIPATION AGREEMENT AND THEREFORE IMPEL CONSORTIUM TO AGREE TO A BETTER DEAL FOR IRAN. YET ANOTHER GROUP OF TEAM MEMBERS WANTED TO FINISH NEGOTIATIONS PROMPTLY WITH AN AGREEMENT, AND BELIEVED THAT FALLAH WAS DELIBERATELY

PROLONGING NEGOTIATIONS IN HOPES THAT THEY WOULD FAIL, THUS PROVIDING HIM WITH AN OPPORTUNITY TO MONOPOLIZE ALL THE CREDIT FOR A LATER EVENTUAL AGREEMENT NEGOTIATED DIRECTLY BY HIMSELF. DISPUTE WITH DR. FALLAH BECAME SO INTENSE THAT ON SEVERAL OCCASIONS

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OF OTHER MEMBERS OF TEAM SIGNED REPORTS
TO SHAH WHICH COMPLAINED SHARPLY ABOUT CONDUCT OF NEGOTIATIONS.

4. STEELE APPARENTLY ATTEMPTED AT ONE POINT TO BREAK IMPASSE
OVER APPLICABILITY OF GENERAL PARTICIPATION AGREEMENT BY WRITING
LETTER TO FALLAH WHICH REMINDED HIM OF DISCUSSIONS AT ST. MORITZ
ON THIS POINT. AN INTERESTING EXAMPLE OF COMPARATIVE PSYCHOLOGY
EMERGED OVER THIS LETTER: PINNEL, HEAD OF CONSORTIUM DELEGATION,
PRESENTED IT TO DR. FALLAH IN FRONT OF ALL OF MEMBERS OF BOTH

TEAMS DURING COURSE OF A MEETING. IRANIAN MEMBERS TOOK THIS AS
FLAGRANT INDICATION THAT FALLAH WAS IN SECRET SIDE NEGOTIATIONS
WITH CONSORTIUM TEAM. IN FACT, PINNEL DID THIS SO AS TO DEMON-
STRATE, AT LEAST TO HIS OWN SIDE, THAT THERE WERE NO SECRET

COMMUNICATIONS WITH FALLAH.

5. COMMENT: SOME OF ABOVE IS USUAL INFIGHTING TO BE EXPECTED
IN HIGHLY PERSONALIZED AND FREQUENTLY INSECURE IRANIAN SOCIETY.
PROBLEM IS COMPLICATED BY SHAH'S TENDENCY TO KEEP MOST ELEMENTS
OF NEGOTIATIONS TIGHTLY IN HIS HANDS NOT EVEN SHARING EVERYTHING
WITH FALLAH. THIS HIGHLIGHTS NEED FOR DIRECT ACCESS AND PER-
IODIC RESORT TO SHAH TO SET MATTERS STRAIGHT. HAPPILY JAMIESON
AND STEELE
HAVE SUCH ACCESS AND HOPEFULLY WILL BE DOING JUST
THAT IN NEXT FEW DAYS.
HELMS

NOTE BY OCT: TEHRAN 2585 # AS RECEIVED.
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